

CORPORATE GOVERNANCE STATEMENT

This statement outlines key Corporate Governance practices adopted by Capricorn Mutual Limited (the "Company" or "CML").

Board of Directors

The Board of Directors (the "Board") is responsible for protecting the rights and interests of the Members of CML.

The Company's Constitution requires a majority of the Directors of the Board to be Directors of Capricorn Society Limited ("CSL") and the Directors may appoint up to three Independent Directors for a maximum term of three years. One third of Directors must retire by rotation at each Annual General Meeting of the Company. A retiring Director is eligible for re-election.

Composition of the Board

The Company's Constitution stipulates that the Board shall consist of a minimum of three Directors and a maximum of eleven Directors. The names and details of the Company's Directors in office during the year are contained in the Annual Report.

Role of the Board

The Board's primary role is to protect the rights and interests of the Company's Members in accordance with the terms of the Company's Constitution and at law. The Board is accountable to the Members for the overall management of the Company although operational management of the Company is outsourced to Capricorn Mutual Management Pty Ltd ("CMM") and Capricorn Risk Services Pty Ltd ("CRS") (together the "Manager"), both wholly owned subsidiaries of CSL.

Board process

An Audit, Risk and Compliance ("ARC") Committee and a Relationship Committee have been established to assist the Board with the execution of its responsibilities. Each Committee has its own terms of reference and objectives which are reviewed annually. The Board has also established a framework for the management of the Company including a system of internal control and the establishment of appropriate ethical standards.

The Board usually holds six meetings each year and any other one-off meetings as may be required to address specific matters that may arise. The attendance details of the Board are contained in the Annual Report.

Audit, Risk and Compliance ("ARC") Committee

The Audit, Risk and Compliance Committee has been established by the Board under terms of reference. The terms of reference set out the ARC Committee's role, responsibilities, composition, structure and membership requirements. The Committee provides the Board with an efficient mechanism to focus on particular issues relevant to verifying and safeguarding the integrity of the Company's

financial reporting and compliance with various statutory obligations.

All members of the committee must be Directors of the Board. The members of the committee and their attendance at meetings are included in the Annual Report.

Relationship Committee

The Relationship Committee was established by the Board under terms of reference. Its role is to give the Board additional assurance regarding the appropriateness of commercial transactions between the Company and CSL or their respective subsidiaries.

The Relationship Committee consists of the Board's independent non-executive Directors. Directors that have been nominated by CSL are prohibited from being members of the Relationship Committee.

The Relationship Committee is only convened when considered necessary by its members or the Chairman of the Board.

Conflicts of interest

Directors must keep the Board advised of any personal interest that could potentially conflict with those of the Company. Under the Company's Constitution, Directors are prohibited from attending and voting at any meeting of the Directors in respect of any claim made pursuant to the Company's Rules by the Member with whom the said Director is associated. Details of Director related transactions with the Company are contained in the Annual Report.

Directors' Code of Conduct

The Board has established a Code of Conduct for Directors to ensure practices are in place and operating so that Members can have confidence in the Company's integrity and commitment to ethical conduct.

Commitment to Compliance

CML is subject to a complex and evolving regulatory framework in the jurisdictions in which it operates. The Board is committed to a proactive culture of compliance to ensure that the various regulatory requirements are met, to support the risk management framework and to meet the ongoing commitment of the sound operations of CML on behalf of the Members.

Actuarial Review

Although, the Company is not a company authorised by the Australian Prudential Regulation Authority ("APRA"), the Company has voluntarily adopted the Insurance Liability Valuation Reporting standards as specified in APRA's GPS320 which imposes a minimum value on insurance liabilities at a 75% level of sufficiency. This is achieved through the assessment of the Company's claims liability by an independent external Actuary. The net claims liability recommended by the external Actuary is adopted in each Annual Report.